



South African Port Operations: Equipment and Technology Transfer Opportunities

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Summary

The commercial port industry is a rapidly expanding gateway into the South African and international economy. As the National Ports Authority (NPA) of South Africa and the South African Port Operations (Sapo) complete construction of the country's eighth commercial port, a USD 457 million investment, and the 2010 World Cup approaches, opportunities for U.S. companies to enter or expand their market share in the region's port industry are ripe. Situated on one of the world's busiest trade routes, the ports of South Africa promise to remain of strategic and economic importance well into the future. Multi-purpose automotive, container, break-bulk, and bulk ports offer a world-class infrastructure supported by inter-modal transportation linkages to the African continent. Furthermore, high demand for raw materials in preparation for 2010 has created a unique and targeted niche for importation and distribution centered on backward and forward integration and one-stop-shop investor facilitation.

Market Demand and Overview



Following major growth in port-related industries, particularly automotives, ports have a pivotal role to play in the international market. As a corridor among three continents, 98% of imports to and exports from the region move through South Africa's maritime ports. In 2005, Transnet injected some \$211 million into South Africa's maritime industry and has committed a further 3.52 billion dollars in investments over the next five years. The company operates the two subsidiaries with broad responsibilities for ports: the National Ports Authority (NPA), which owns all port land and provides marine services such as pilotage and upkeep of infrastructure, and Sapo, which handles cargo operations at 13 terminals situated among commercial ports along South Africa's coastline.

In 2005, the NPA achieved a 19% increase in operating profits, to \$535 billion, on a rise of 11% in turnover to \$774 million. Sapo posted a 4% rise in operating profits to \$128 million on a 9% rise in turnover to \$473 million. Total capital expenditure of the two divisions amount to \$930 million up from \$140 million the previous year.

The port at Durban, Africa's largest and busiest container port is to see a \$2.08 billion tranche of new funding to broaden the port entrance, readying the port for a new generation of post-Panamax container carriers, and to build both a new container facility and car terminal.

Cape Town is also set to expand its container terminal, and MAN Ferrostatat has announced it is to build a major service hub at the port for the offshore oil and gas industry. As well as its investment at Cape Town port, MAN Ferrostatat plans to invest in a major oil and gas industry equipment refurbishment facility at Saldanha, north of Cape Town.

The port of Saldanha is the only iron ore handling port in South Africa. Management at Saldanha is undertaken by both the NPA and the state rail company Spoornet's subdivision Orex to ensure a reliable connection between the port and the iron ore mines at Sishen, 860km northeast of the port. Saldanha serves the region's base metal mines as well as an adjacent heavy minerals smelter. There is also a crude oil storage facility near the port.

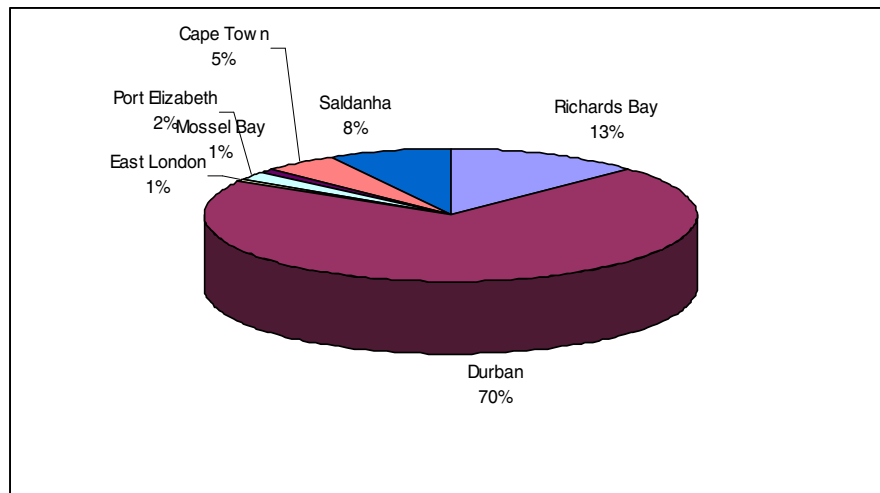
Meanwhile the port at Ngqura, South Africa's 8th commercial port, in the Eastern Cape Town plans to open its container terminal by 2008. The neighboring Coega Industrial Development Zone received a huge boost when, on July 13th 2006, South African power utility Eskom and aluminum producer Alcan announced they had reached agreement on a final tariff for the electricity to be supplied to the new \$1.69 billion aluminum smelter.

Like Port Elizabeth, East London—South Africa's only major river port—has benefited handsomely from the 43% growth in South Africa's vehicle imports and exports. Its \$11.27 million state-of-the-art car terminal stores 2,800 cars and has throughout capacity of 50,000 units a year, but there are already plans afoot to more than double storage and get throughput up to 180,000 cars a year.

Throughput at Richards Bay has also been buoyant, particularly at the Anglo-American owned Richards Bay Coal Terminal, the world's largest single coal exporting terminal. The terminal has reportedly been working flat-out to meet surging Asian demand for energy coal. Sapo operates the dry-bulk and multipurpose terminals handling steel, granite, minerals, and aluminum as well as timber and paper products.

Market Data

Total Imports 2006



Evidence of Growth

Total bulk import volumes increased by 4% at South Africa's maritime ports in 2006 compared to the previous year, largely as a result of imported petroleum volumes. Strong economic growth and resulting demand for imported petroleum ensured greater volumes, despite the higher crude oil price. Bulk trans-shipment volumes reflected a significant increase, mainly as a result of increased trans-shipped petroleum volumes.

Total break-bulk import volumes reflected significant growth during the year. Vehicle imports continued to experience very strong growth, with all auto industry hubs – Durban, Port Elizabeth and East London – reporting higher-than-anticipated increases.

Full container imports grew 9% on the previous financial year. Increased vehicle components in containers (components used in the manufacturing of vehicles for export), showed strong growth. Economic improvements, coupled with low interest rates and increased disposable revenue, drove the increased demand for imports.

Best Prospects

Personal interviews with local retailers and importers indicated their eagerness to identify and establish exclusive distributor agreements with U.S. suppliers, citing that evidence of differential advantages to existing products are of the utmost importance. State-owned harbor operator South African Port Operations (Sapo) claims to be taking a manufacturing view of its procurement processes and is encouraging foreign equipment suppliers, with which it places contracts, to integrate South African manufacturers into their global supply chains.

The Transnet subsidiary announced that it would be acquiring 14 Liebherr super post-Panamax cranes, as well as 25 Kalmar straddle carriers, as part of efforts to boost efficiency and container handling at the ports of Durban and Cape Town.

The major projects currently being pursued by Sapo emphasize container-terminal capacity at Durban, Cape Town and Ngqura. Sapo is moving ahead with plans to have the Port of Ngqura terminal operational by 2008, creating capacity of 1.2-million containers a year.

Sapo hopes to introduce six new container cranes at the Durban container terminal, raising capacity to 1.6-million containers, while the pier one container-terminal project will hopefully add capacity for 550 000 containers a year.

At the Cape Town container terminal, Sapo hopes to put in place six new container cranes and 26 four-high straddle carriers to increase throughput capacity by 20% and ensure higher stacking density.

At Saldanha, Sapo plans to raise iron-ore terminal expansion capacity to 42-million tons a year. The introduction of new equipment and cranes at the Richards Bay multipurpose terminal has also been sanctioned.

Overall, opportunities exist for U.S. suppliers of quayside equipment, bulk material handling systems, environmental solution service providers, maritime logistics management, bulk supply chain management, and related services and expertise.

Key Suppliers:

The following are the leading suppliers to the port construction market:

Dock & Surveying Services: Dive Solutions; Gazelle Testing Services

Buoys Fiberglass: Profibre Products

Clearing Services: Empangeni Plant & Haulage, King & Sons, Marthinus Waste Removal, Rohlig-Grindrod, Vanguard Rigging

Construction Contractors: IAP International

Consulting Engineers: Arcus Gibb, BKS Group; DJ Halliburton Consulting Engineers; Henry Fagan & Partners; Ingerop South Africa; Steward Scott; Young & Satharia; Zietsman Lloyd & Hemsted

Crane Safety Controls Cranes: Akhanani Electromechanical Engineering; Bri-ton Liftmaster; Engineering & Allied Supplies; Khubenker; Pro Crane Services; Sher-Q Management Consultants

Cranes: African National Engineering; Condra; Demag Cranes & Components; Engineering & Allied Supplies; Pfaff-Silberblau; Pro Crane Services

Cranes Hydraulic: Engineering & Allied Supplies; Pro-Hydraulics

Cranes Slipping Unit: Cavotec Gantrex; Demag Cranes & Components; Engineering & Allied Supplies; Siteeco

Dredging Services: Bovu Pumps; Genflo; Vacuum-IT CC

Fenders: Gauteng Rubber & Seal Company; Transvaal Rubber Company

Handling Equipment: African National Engineering; Akhanani Electromechanical Engineering; Davey Industrial Equipment; Demag Cranes & Components; Engineering Top Tech; Euronip Handling Gauteng; Khubenker; Toyota Forklift

Tugs: Safreight Shipbuilding; Silicon Engineering

Market Entry

As South Africa continues to expand the capacity and efficiency of its maritime ports, port operating units seek to broaden their technical expertise by partnering with well-equipped firms and importing materials to

complete many of its capital projects. Hence, port operations generally welcome opportunities to establish trade agreements with U.S. firms. U.S. firms wishing to pursue such business relationships should contact U.S. Commercial Service South Africa (<http://www.buyusa.gov/southafrica>).

Market Issues and Obstacles

Movement to incorporate a South African manufacturing element into Sapo operations in accordance with Black Economic Empowerment (BEE) and localization protocol may lengthen the transaction process.

Trade Events

Maritime Africa 2007

October 24-26, 2007

<http://www.exhibitionsafrica.com>

Cape Town International Convention Center

Trade Attendance: 2,500-3,000 business-to-business visitors

Oil Africa 2008

March 17-19, 2008

<http://www.exhibitionsafrica.com>

Cape Town International Convention Center

Trade Attendance: 3,000-3,500 business-to-business visitors

Trade Publications

Advertising in professional trade journals is a well-accepted method of product promotion. The following South African magazines are an important means of exposure for U.S. exporters of port construction materials and equipment.

Engineering News

Tel: 27 11 622 3744

Fax: 27 11 622 9350

Email: newsdesk@engineeringnews.co.za

<http://www.engineeringnews.co.za/>

Frequency: Monthly

Author: Danielle Allen

For More Information

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